

**South Carolina  
Department on Aging  
Columbia, South Carolina**

**State Auditor's Report**

**June 30, 2020**



## Independent Accountant's Report on Applying Agreed Upon Procedures

July 8, 2021

Ms. Connie Munn, Director  
South Carolina Department on Aging  
Columbia, South Carolina

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the South Carolina Department on Aging (the Department) for the fiscal year ended June 30, 2020. The Department's management is responsible for the systems, processes and behaviors related to financial activity.

The Department's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of understanding the systems, processes and behaviors related to financial activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Department for the year ended June 30, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the Department's management. Management of the Department has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

We are required to be independent of the Department and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the management of the South Carolina Department on Aging, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA  
State Auditor

**South Carolina Office of the State Auditor  
Agreed-Upon Procedures – South Carolina Department on Aging (L06)**

**Cash Receipts/Revenues**

1. Haphazardly select five cash receipts transactions and inspect supporting documentation to determine:
  - Supporting documentation for transaction agrees with the general ledger as to amount, date, payor, and account classification.
  - Revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2020 Appropriation Act.
  - Both revenue collections and amounts charged are properly authorized by law and that any fee increases are in accordance with Proviso 117.7 of the fiscal year 2020 Appropriations Act.
  - Receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

**Purchasing Card Disbursements**

2. Haphazardly select ten purchasing card transactions from the Office of the State Comptroller General (CG) listing of purchasing card transactions for fiscal year 2020 and inspect supporting documentation to determine:
  - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Department policies.
  - The purchase is authorized based on the cardholder's job title/position.
  - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
  - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

**Findings**

One purchasing card transaction was not approved by the Department's Director as required by Department policy.

In addition, one cardholder was concurrently issued two purchasing cards in violation of State policy.

**Management's Response**

The Department concurs with the finding regarding purchasing card disbursements. The second purchasing card for the cardholder has been cancelled so that at this time no Department employee is authorized for more than one card. In addition, the Department is revising the fiscal policy to better document the purchase levels at which additional approval is required as well as creating a separate purchasing card policy manual to strengthen the control over the use of these cards.

## **Payroll**

3. Haphazardly select three employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Department's policies and procedures and that their last paycheck, including any leave payout, was properly calculated in accordance with applicable State law.
4. Haphazardly select three employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Department's policies and procedures and that their first paycheck was properly calculated in accordance with applicable State law.

## **Finding**

A compensatory leave payout was excluded from one terminated employee's final paycheck, resulting in a pay discrepancy of approximately \$63.

## **Management's Response**

The Department concurs with the finding regarding leave payout for one of the employees who terminated. Internal control over the final payroll distribution will include a review and approval of the accounting of funds by the Human Resources Director prior to being issued.

## **Journal Entries and Transfers**

5. Haphazardly select four journal entries and one transfer and inspect supporting documentation to determine:
  - Postings in the general ledger agree to supporting documentation.
  - Transaction is properly approved.
  - The purpose of the transaction.

## **Finding**

One journal entry was incorrectly posted to the general ledger, resulting in approximately \$29,000 of revenue being recorded in the incorrect fund.

## **Management's Response**

The Department does agree that the journal entry to move the Bingo Fund revenue to the correct account did not include funds that were received during the first month of state fiscal year 2020, and should have been included. The Department requires that a second fiscal staff person review all journal entries to ensure that they are accurate and properly documented. Additional training has assisted employees in understanding what procedures should be undertaken before approval of the journal entries being reviewed.

## **Reporting Packages**

6. Obtain copies of fiscal year end reporting packages submitted to the CG. Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were submitted by the due date established by the CG's Reporting Policies and Procedures Manual.

## Reporting Packages (Continued)

7. In addition to the procedure above, perform the following:

- Grants and Contributions Revenue Reporting Package

Haphazardly select ten grants and agree the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number to the South Carolina Enterprise Information System (SCEIS) general ledger and SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue.

- Other Receivables Reporting Package

Agree reported amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting - Accounts Receivable Current with Customer* report and Department prepared records.

- Capital Assets Reporting Package

Agree reported amounts to the SCEIS general ledger, the SCEIS *Asset History Sheet* and Department prepared records.

- Operating Leases Reporting Package

Agree amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting Operating Lease Expense with Vendor* report and Department prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Three haphazardly selected contingent rental payments; (2) Two haphazardly selected payments in the remaining rental payment classifications (One time, Month to month, and Other); and (3) The Office Space lease on the Future Minimum Payment (FMP) Schedule to determine that it was reported accurately and to determine the FMP reported amounts were properly classified, coded and calculated.

- Accounts Payable Reporting Package

Agree amounts to the SCEIS general ledger, SCEIS *Yearend Reporting - Prior Year Payables with Vendor* report and Department prepared records. In addition, inspect five haphazardly selected payable transactions included on the Accounts Payable Summary Form and determine if amounts were properly classified, calculated, and reported on the reporting package.

- Litigation Reporting Package

Haphazardly select five transactions from the SCEIS *Yearend Reporting – Litigation* report to inspect for proper approval, amounts charged within approved limits, and service date range.

- Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and Department prepared records.

## **Reporting Packages (Continued)**

### **Findings**

**Capital Assets Reporting Package** – Two intangible assets with book values below the State's capitalization threshold were reported as capital assets instead of low value assets.

**Operating Leases Reporting Package** – Base rental payments for copiers were properly coded as operating lease payments in the general ledger but were reported as contingent rental payments on the reporting package.

**Accounts Payable Reporting Package** – Classification discrepancies were identified on the reporting package. A vendor payable was misclassified as an intergovernmental payable and intergovernmental and vendor payables were misclassified as aid to individuals payables.

### **Management's Response**

**Capital Assets Reporting Package** – The Department understands and agrees that the software assets did not meet the required value to be recorded as a capital asset. The guidance provided by the CG has been reviewed and a discussion held with regards to the different guidelines that exist for intangible assets and recording those items into the state system. In the future, the Department will record the appropriate items as low value assets in order to continue to track those items and properly account for them with the federal grants requirements.

**Operating Leases Reporting Package** – The issue on the operating lease reporting package was an entry error and the accounting records were correct. During the current year, additional care will be taken to ensure that numbers entered on the reporting package do agree with the backup documentation.

**Accounts Payable Reporting Package** – The Department acknowledges the issue with the accounts payable reporting package with the identification of intergovernmental payables. The items payable to the subgrantees which include Council of Governments have been reported for the past several years as aid to individuals payable. With guidance provided by the State Auditor's Office after discussion with the CG, the Department will report those payables as directed on the 2021 reporting package.

### **Assets and Personal Property**

8. Through inquiry of management and inspection of supporting documentation, determine that an inventory of Department property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

### **Finding**

The Department did not complete the property inventory required by South Carolina Code of Laws Section 10-1-140.

### **Management's Response**

Department staff were not in the office during the COVID pandemic when a physical asset inventory should have been performed. The physical inventory was completed during May 2021 in order to be in compliance with the state requirements.